

### **Texas Brine Company, LLC Daily Update – 1/29/13**

Fifth Amendment to the Declaration of Emergency and Directive dated 12/7/12 and Amended Fifth Amendment issued on 1/14/13

Per the requirement in the Fifth Amendment, the daily update on progress in implementing all Directives is provided below:

1. Directive 1:
  - a. The temporary geophone installed on 12/14/12 continues to work and generate data which is being reported as required. The work plan required by the Directive was submitted on 12/15/12 with additional information being provided on 12/19/12 in response to DNR's follow up question.
  - b. The vibro-seismic study at the TBC facility with U. of Houston's mini-vibe unit area seismic activity has been completed; The U. of Texas' "T-Rex" vibe truck work is also completed; The temporary geophone array was reinstalled in the 480' geophone well on 1/19/13.
  - c. A permanent geophone plan was submitted to DNR by MEQ on 1/4/13. DNR approval of the permanent geophone array has been received. All long lead items have been ordered. The installation is tentative for 2/2/13.
2. Directive 2a-e (Amended Fifth Amendment): Given DNR's issuance of an amended Fifth Amendment on 1/14/13, the requirements of this Directive have changed. TBC has work underway to address the requirements of Directive 2 a-e.
  - a. 3D seismic planning continues; Land access approval work is underway; Field surveying is underway and will continue through next week; A public update on 3D seismic plans is scheduled for 1/30/13 at 6:00 pm.
  - b. OG 1 hanging strings were removed on 1/12/13 & 1/13/13; A cement bond log (CBL) and variable density log (VDL) were completed on 1/15/13; Work continues on the design of the temporary and permanent down-hole geophone arrays for this well.
  - c. Approval of the EUA from Office of Coastal Management (OCM) was received on 1/15/13 to allow work to upgrade and raise the Rig Road as needed for multiple reasons; Construction of the location for G-03 (1000' geophone well) continues; A drill rig has been secured and is expected to start moving in on Wed, 1/30/13; Plans are to begin driving surface casing by or before 2/1/13; The EUA previously submitted for the deep geophone well has been approved by DNR-OCM to get final approval; DNR approval of the well permit application is expected this week.
  - d. Modifications to the pressure monitoring systems for OG 1, OG 2, OT 9, and OT 10 brine wells have been made and cavern pressures were reported to DNR and AP OEP starting 1/15/13 and will continue.
  - e. OG 2-VSP was completed on 1/14/13 and is being analyzed; The sonar survey was conducted on this well on 1/10/13; A CBL was done on this well on 1/15/13; The work-over on this well has been completed; OCC and DNR agreed to return the well to service which was done on 1/25/13...
3. Directive 3:
  - a. TBC and its consultant submitted the work plan for the additional MRAA monitor wells on 12/28/12; Comments were received from DNR on 1/5/13 and are being reviewed. A revised work plan was

submitted on 1/10/13. DNR responded with comments on Installation of the additional monitor wells on 1/12/13.

- b. Installation of the MRAA 03 D&M wells began on 1/14/13 and for location MRAA 01 D&M wells on 1/16/13; MRAA 03 was plugged on 1/21/13 as a result the changes on OG 3 well pad on 1/18/13 and 1/19/13; An engineering assessment on the stability of the OG 3 well pad is being done; Work continues on MRAA 01 D&M wells; DNR/Shaw recommended delaying installation of MRAA 02 D & M wells until after improvements to the rig road are far enough along to allow access to the location and logging from G-03 drilling is available to allow well/casing depths to be determined; Discussions with DNR/Shaw regarding future location of MRAA 03 will be scheduled as soon as the assessment of OG 3 well pad is completed; A request was submitted to DNR for a 30 day extension of the 1/31/13 deadline in Directive 3 because of these conditions.

4. Directive 4:

- a. TBC and consultants submitted a work plan required by this Directive on 12/28/12.
- b. The VSP on OG 3A was completed on 1/12/13; The VSP on OG 1 was completed on 1/16/13; Results from both are being analyzed; Baker Hughes has indicated it does not have any available time to work on preliminary results; VSProwess continues to work on this on an expedited basis and expects to have preliminary results this week.

5. Directive 5:

- a. TBC submitted the first daily report on 12/12/12 for OG 1 pressure monitoring as required. These will be submitted daily going forward

6. Directive 6:

- a. TBC submitted the first daily report on 12/12/12 for OG 2 pressure monitoring as required. These will be submitted daily going forward.

7. Directive 7:

- a. TBC's consultant is working on the comparison of the recent sonar surveys on OG 1 (1/3/13) and OG 2 (1/10/13) caverns against previous ones in order to provide a professionally stamped report on the comparisons by 1/31/13.

B.E. Martin

VP Operations

Texas Brine Company, LLC